

Message Text

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PAGE 01 MANAGU 04169 081623Z
ACTION OPIC-06

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FOR OPIC

E.O. 11652: N/A
TAGS: BEXP, EINV, NU
SUBJECT: APPLICATION FOR POLITICAL RISK INVESTMENT INSURANCE
BY APPENDAGEZ, INC.

REF: OPIC FORM NO. 50 AND OPIC REGISTRATION NOTICE

1. THE COMMERCIAL OFFICER CALLED ON MR. MAX GERSON OF APPENDAGEZ, INC. OF NORWOOD, MASSACHUSETTS (WHO HAPPENED TO BE IN NICARAGUA) AND MR. JORGE GONZALEZ RAMIREZ OF CONFECCIONES DE EXPORTACION, S.A. (CONEXA), A LOCAL AFFILIATE OF APPENDAGEZ, IN CONNECTION WITH APPENDAGEZ' APPLICATION TO OPIC FOR POLITICAL RISK INVESTMENT INSURANCE. APPENDAGEZ, INC. OF NORWOOD, MASSACHUSETTS, OWNS APPENDAGEZ, S.A. OF NICARAGUA WHICH IN TURN OWNS 50 PERCENT OF THE STOCK OF CONEXA. MR. GONZALEZ, A NICARAGUAN NATIONAL, OWNS THE REMAINING 50 PERCENT OF CONEXA. THEY PROVIDED THE FOLLOWING INFORMATION ABOUT CONEXA'S OPERATIONS:

2. CONEXA IS CURRENTLY PRODUCING 1,000 DOZEN PAIRS OF BLUE JEANS PER WEEK, UNDER THE TRADE NAME OF FADED GLORY, IN ITS FACTORY AT THE FREE TRADE ZONE NEAR MANAGUA'S INTERNATIONAL AIRPORT. PRIOR TO LOCATING IN THE FREE TRADE ZONE SIX WEEKS AGO, THE
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COMPANY HAD A FACTORY IN MANAGUA WHICH PRODUCED APPROXIMATELY 600 DOZEN PAIRS OF JEANS PER WEEK. OWNERSHIP OF THE COMPANY DID NOT CHANGE WITH THE RELOCATION. THE COMPANY HAS BEEN MANUFACTURING IN NICARAGUA FOR APPROXIMATELY EIGHTEEN MONTHS.

3. CONEXA HAS AMBITIOUS EXPANSION PLANS AND WOULD

LIKE TO START PRODUCING 1,600 DOZEN JEANS PER WEEK WITHIN THE NEXT TWO MONTHS, THEN EXPAND TO TEN THOUSAND DOZEN PER MONTH BY DECEMBER, AND TO FIFTEEN THOUSAND DOZEN PER MONTH IN 1978.

4. PRESENT EMPLOYMENT IS 250 WORKERS AND THAT NUMBER SHOULD INCREASE TO 450 BY THE END OF THE YEAR. EMPLOYMENT BEYOND THAT DATE WILL INCREASE AS PRODUCTION INCREASES. THE AVERAGE HOURLY WAGE RATE (ALTHOUGH WORKERS ARE PAID ACCORDING TO THE NUMBER OF PIECES SEWN) IS 4.42 CORDOBAS PER HOUR (SEVEN CORDOBAS EQUAL ONE DOLLAR).

5. THE DENIM FOR PRODUCTION IS IMPORTED FROM EL SALVADOR AND HONG KONG AND IS CUT AND SEWN IN NICARAGUA. ALL PRODUCTION IS THEN SHIPPED TO THE U.S. VIA THE NICARAGUAN NATIONAL AIRLINE (LANICA).

6. THEY ALSO PROVIDED THE FOLLOWING BACKGROUND INFORMATION ABOUT APPENDAGEZ: APPENDAGEZ, INC. HAS CLOTHING OPERATIONS (NOT EXCLUSIVELY BLUE JEANS) IN TAIWAN, HAITI, HONG KONG, AND THE U.S. IT CURRENTLY HAS NO FACTORY FOR THE PRODUCTION OF BLUE JEANS IN THE U.S., BUT "CONTRACTS OUT" TO OTHER COMPANIES. GERSON INDICATED THAT HIS FIRM IS LOOKING FOR A SUITABLE FACILITY IN THE U.S. IN ORDER TO INITIATE LIMITED OFFICIAL USE

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ITS OWN PRODUCTION.

7. APPENDAGEZ' INVESTMENT IN CONEXA IS APPROXIMATELY \$425,000 AND INCLUDES THE FOLLOWING: A \$176,000 LOAN FOR THE PURCHASE OF MACHINERY, \$65,000 IN STOCK SHARES, AND A LOAN "FOR OTHER THINGS" WHICH FLUCTUATES BETWEEN \$150,000 AND \$250,000 (THIS LAST ITEM IS PROBABLY SIMILAR TO A LINE OF CREDIT.).

8. CONEXA HAS APPLIED TO THE NICARAGUAN NATIONAL DEVELOPMENT INSTITUTE (INFONAC) FOR LOANS TO FINANCE ITS PROPOSED EXPANSION OF PRODUCTION. IT HAS NOT YET RECEIVED A REPLY TO THAT APPLICATION. (N.B.: THE OPIC APPLICATION INDICATED THAT THE REQUESTED LOAN MAY TOTAL \$500,000.)

9. COMMENT: THE EMBASSY HAS NO OBJECTION, ON A PURELY BUSINESS BASIS, TO THE GRANTING OF POLITICAL RISK INSURANCE TO APPENDAGEZ. THE GON IS STRONGLY PROMOTING THE FREE TRADE ZONE IN WHICH THE FACTORY IS LOCATED AND FEELS THAT THE LOCATION OF FIRMS IN THAT AREA IS CONSISTENT WITH ITS OVERALL DEVELOPMENT PLANS.

CONEXA IS ALSO CONTEMPLATING THE PURCHASE OF LOCAL DENIM WHEN FABRITEX, A NICARAGUAN TEXTILE FIRM, BEGINS PRODUCTION OF QUALITY DENIM IN DECEMBER. THIS, OF COURSE, WOULD BE ADVANTAGEOUS TO THE NICARAGUAN ECONOMY.

10. WE ARE IBTHERED SOMEWHAT, HOWEVER, BY THE PROSPECT THAT OPIC INSURANCE WOULD COVER AN ENTERRPISE WHO IS SUPPLYING TEXTILES TO THE U.S. MARKET -- PRESUMABLY TO THE DISADVANTAGE OF U.S. TEXTILE WORKERS AND PRODUCERS. MOREOVER, THE FIRM REQUESTING OPIC INSURANCE IS NOT EVEN USING U.S.-MADE FIBRICS. RUBENSTEIN

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